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PayDay

Subject: Tax Withholding on Bonuses

Get More "PR Bang" for your "Bonus Buck"

When paying bonuses, sales commissions or other "extra" payments to employees, you would like to place as much money in your employee's net payroll check as possible, right? And then you are advised that you should withhold a flat 25% for Federal income tax in addition to state, local, FICA and Medicare taxes, and nearly 40% of your incentive pay to employees has been eroded by taxes.

Is there a better way to handle Federal income tax withholding on bonuses and commissions (which the IRS calls "supplemental wage payments")? Consider the optional "aggregate" method for withholding Federal income tax on bonuses. With this method you combine ("aggregate") the employee bonus or commission with the employee's ordinary wages, and then withhold Federal income tax based on the normal withholding tables.

If you want AccuPay to use the "aggregate" method for withholding Federal income tax on your employees bonuses and commissions, simply tell your payroll professional at AccuPay!

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.